

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

GUTHRIE COUNTY HOSPITAL

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GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2016

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Chris Schafer, Chairperson	Adair, Iowa	2016
Ryan Ketelsen, Vice-Chairperson	Panora, Iowa	2020
Peg Shroyer, Secretary	Panora, Iowa	2020
Mary Sheeder, Treasurer	Guthrie Center, Iowa	2016
Jim Robson	Guthrie Center, Iowa	2018
Roberta Simmons	Panora, Iowa	2018
Gene Newell	Guthrie Center, Iowa	2016
<u>Chief Executive Officer:</u>		
Patrick Peters	Dexter, Iowa	
<u>Chief Financial Officer:</u>		
Melinda Alt (resigned June, 2016)	Audubon, Iowa	
Troy Eller (started August, 2016)	West Des Moines, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of Guthrie County Hospital as of June 30, 2016 and 2015 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Guthrie County Hospital

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The financial statements do not include financial data for the Hospital's legally separate component unit, Guthrie County Hospital Foundation. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Hospital unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Hospital has not issued such reporting entity financial statements (Notes A and I).

Qualified Opinion

In our opinion, except for the effect of omitting the discretely presented component unit, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of Guthrie County Hospital as of June 30, 2016 and 2015 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedules of the Hospital's Proportionate Share of the Net Pension Liability and of Hospital Contributions (and the related notes) on pages 3 through 3g and on pages 26 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guthrie County Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed qualified opinions for June 30, 2014 and 2013, and an unmodified opinion for June 30, 2012. The supplementary information on pages 1 and 30 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees
Guthrie County Hospital

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2016 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Guthrie County Hospital's internal control over financial reporting and compliance.

Diamond, Bell, Thyer & Co. P.C.

Atlantic, Iowa
October 24, 2016



The expertise you need. The personal care you want.

GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets and deferred outflows of resources increased approximately \$446,000 during fiscal year 2016. Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, increased by approximately \$1,088,000 during fiscal 2016, an increase of approximately 18 percent.

The Hospital reported operating revenues for the year of \$14.3 million, an increase of approximately \$825,000 or 6.1 percent. Net revenues, or revenues after all expenditures, for 2016 were \$1,088,000, an increase of \$712,000 from 2015.

The Hospital reported expenditures for the year of \$14.9 million, an increase of approximately \$366,000 or 2.5 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted), all deferred outflows of resources, all liabilities and all deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

These two statements report the Hospital's net position, which is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the Statement of Net Position on page 4. The following table, Table 1, presents a summary of the Hospital's Statements of Net Position.

Table 1
Condensed Statements of Net Position

	<u>2016</u>	<u>2015</u>	<u>Not Restated 2014</u>
Assets and Deferred Outflows of Resources:			
Current assets	\$ 8,035,424	\$ 7,126,673	\$ 5,376,793
Capital assets, net	9,211,098	9,930,992	10,937,540
Other noncurrent assets	58,880	79,867	100,856
Deferred outflows of resources	<u>736,458</u>	<u>458,436</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>
Liabilities:			
Current liabilities	\$ 2,781,474	\$ 2,910,743	\$ 1,688,369
Long-term debt	1,560,000	2,070,588	2,670,431
Net pension liability	<u>4,226,791</u>	<u>3,608,795</u>	<u>--</u>
Total liabilities	8,568,265	8,590,126	4,358,800
Deferred Inflows of Resources	2,327,855	2,948,290	1,538,000
Net Position:			
Invested in capital assets, net of related debt	6,966,251	7,256,537	7,663,785
Restricted - expendable	241,580	241,977	241,616
Unrestricted	<u>(62,091)</u>	<u>(1,440,962)</u>	<u>2,612,988</u>
Total net position	<u>7,145,740</u>	<u>6,057,552</u>	<u>10,518,389</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>

A significant component of the change in the Hospital's assets is the increase in patient receivables by \$441,616 or 34.4%.

The most significant component of the change in the Hospital's liabilities was a decrease in third-party payor settlements of \$343,000 or 26.3% coupled with a \$480,000 decrease in revenue bonds within long-term liabilities.

The Government Accounting Standards Board (GASB) required a change in the method of accounting for the Hospital's pension costs during the 2014-15 year. The requirement resulted in significant changes to: net position (\$4,843,469 decrease), long-term liabilities (\$5,375,193 increase), and created a deferred outflow of resources (\$531,724) as of July 1, 2014. See Note H for additional information concerning the Hospital's pension plan. Although the Hospital's financial statement reporting has changed significantly, the requirement will have no effect on the Hospital's actual operations.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2016, 2015, and 2014.

Table 2
Condensed Operating Results and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>Not Restated 2014</u>
Revenue:			
Net patient service revenue	\$ 14,066,926	\$ 13,251,173	\$ 12,718,690
Other revenue	202,209	192,479	219,760
Total revenue	<u>14,269,135</u>	<u>13,443,652</u>	<u>12,938,450</u>
Expenses:			
Salaries and benefits	8,573,845	8,119,659	8,533,274
Professional fees	1,167,659	982,477	917,638
Supplies, contract services, equipment & other operating expenses	3,961,682	4,141,820	3,873,229
Depreciation and amortization	1,230,012	1,322,838	1,363,102
Total expenses	<u>14,933,198</u>	<u>14,566,794</u>	<u>14,687,243</u>
Operating Loss	<u>(664,063)</u>	<u>(1,123,142)</u>	<u>(1,748,793)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,649,902	1,599,882	1,594,179
Investment income	3,290	3,830	2,303
Noncapital grants and contributions	9,751	15,367	23,086
Interest expense	(97,008)	(119,875)	(142,841)
Other nonoperating revenues and expenses, net	186,316	--	(7,253)
	<u>1,752,251</u>	<u>1,499,204</u>	<u>1,469,474</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	1,088,188	376,062	(279,319)
Capital Grants and Contributions	<u>--</u>	<u>6,570</u>	<u>523,841</u>
Increase in net position	1,088,188	382,632	244,522
Net Position Beginning of Year	<u>6,057,552</u>	<u>5,674,920</u>	<u>10,273,867</u>
Net Position End of Year	<u>\$ 7,145,740</u>	<u>\$ 6,057,552</u>	<u>\$ 10,518,389</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES/INCOME

The first component of the overall change in the Hospital's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year, the operating loss decreased, partially due to a decrease in the recorded pension liability.

Management's goal in 2016 was to continue the effort to increase the volume of patients treated while positioning the Hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2016 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. During the year, we continued to market the family practice clinics in Stuart, Adair and Panora, along with our pediatrician who started seeing patients in July 2012

Overall, operating loss decreased \$459,000. The primary component of the decrease within operating losses was an increase in total revenue of \$825,000 or 6.1%, coupled with a lesser increase in total expenses - \$366,000 or 2.5%.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital, interest income reported as investment earnings, and non-capital grants and contributions.

The Hospital's Non-operating Revenues and Expenses increased by \$253,047 comparing fiscal 2016 versus 2015.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. Presently, the hospital is working on replacing its emergency generator. The cost to replace the generator is \$423,700. The hospital has applied to The Guthrie County Community Foundation for a matching grant in the amount of \$211,850.

THE HOSPITAL'S CASH FLOW

Cash flows used in operating activities for 2016 were (\$415,705). Comparatively, for fiscal 2015, cash flows provided by operating activities were \$1,356,558, a net change of \$1,772,263. The net change is primarily due to significant changes in third-party payor settlements, which provided positive cash flow of \$1,316,100 in 2015, but used cash of \$343,000 in 2016.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2016, was prepared on the modified accrual basis. Actual budget basis revenues were higher than the budgeted amount of \$15,916,600 by \$201,794, or about 1.3 percent. Actual expenditures were lower than budgeted expenditures. Actual budget basis expenditures were \$15,022,790 as compared to budgeted expenditures of \$16,218,000, a difference of \$1,195,210 or about 7.4 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$566,652. The following table, Table 3, presents a list of significant capital items:

Table 3
Capital Investments

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2016 Cost</u>
Central Station	Mindray	Adults and Peds	\$ 164,985
3D Tomo Upgrade	Siemens	Radiology	126,150
Diagnostic Ultrasound	Siemens	Radiology	122,014

Capital assets for the years ended June 30, 2016, 2015, and 2014 are shown in the following table, Table 4:

Table 4
Capital Assets

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 1,240,996	\$ 1,240,996	\$ 1,243,585
Buildings	11,806,600	11,836,924	11,839,096
Fixed equipment	2,130,691	2,095,361	2,085,301
Major movable equipment	<u>6,529,109</u>	<u>6,141,279</u>	<u>6,143,955</u>
Subtotal	21,707,396	21,314,560	21,311,937
Less accumulated depreciation	12,621,407	11,521,844	10,512,673
Construction in progress	<u>125,109</u>	<u>138,276</u>	<u>138,276</u>
Net capital assets	<u>\$ 9,211,098</u>	<u>\$ 9,930,992</u>	<u>\$ 10,937,540</u>

Net capital assets decreased as the Hospital has recently completed projects and current year depreciation exceeded current year acquisitions.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$2,070,588 in short-term and long-term debt. The total debt amount decreased by \$599,842 in fiscal year 2016. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 12.0% of the Hospital's total assets at June 30, 2016.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Statements of Net Position
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 3,546,766	\$ 3,395,975
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$637,000 in 2016, \$526,000 in 2015)	1,723,785	1,282,169
Grant receivables	4,623	5,069
Other receivables	17,641	10,618
Inventory	387,553	362,451
Prepaid expense	243,104	237,010
Other current assets	20,304	18,559
Succeeding year property tax receivable	1,595,000	1,572,000
Designated and restricted assets	<u>496,648</u>	<u>242,822</u>
Total current assets	8,035,424	7,126,673
Designated and Restricted Assets:		
Internally designated assets	255,068	845
Restricted assets	<u>241,580</u>	<u>241,977</u>
	496,648	242,822
Less amounts required to meet current liabilities	<u>496,648</u>	<u>242,822</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	8,972,998	9,679,725
Non-depreciable capital assets	<u>238,100</u>	<u>251,267</u>
	9,211,098	9,930,992
Other Assets:		
Notes Receivable	27,143	40,714
Other	<u>31,737</u>	<u>39,153</u>
	58,880	79,867
Total assets	17,305,402	17,137,532
Deferred Outflows of Resources - Pension	<u>736,458</u>	<u>458,436</u>
Total assets and deferred outflows of resources	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 510,588	\$ 599,842
Accounts payable	535,276	340,801
Accrued employee compensation	713,082	618,008
Payroll taxes withheld and accrued	63,511	50,010
Accrued interest payable	17	82
Estimated third-party payor settlements	<u>959,000</u>	<u>1,302,000</u>
Total current liabilities	2,781,474	2,910,743
Long-Term Liabilities:		
Revenue bonds, less current maturities	1,560,000	2,040,000
Capital lease obligation, less current maturities	--	30,588
Net pension liability	<u>4,226,791</u>	<u>3,608,795</u>
Total long-term liabilities	5,786,791	5,679,383
Total liabilities	8,568,265	8,590,126
Deferred Inflows of Resources:		
Deferred succeeding year property tax	1,595,000	1,572,000
Deferred pension cost	<u>732,855</u>	<u>1,376,290</u>
Total deferred inflows of resources	2,327,855	2,948,290
Net Position:		
Invested in capital assets, net of related debt	6,966,251	7,256,537
Restricted - expendable	241,580	241,977
Unrestricted	<u>(62,091)</u>	<u>(1,440,962)</u>
Total net position	7,145,740	6,057,552
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 18,041,860</u>	 <u>\$ 17,595,968</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Revenue:		
Net patient service revenue	\$ 14,066,926	\$ 13,251,173
Other revenue	<u>202,209</u>	<u>192,479</u>
Total revenue	14,269,135	13,443,652
Expenses:		
Nursing service	3,236,222	3,628,124
Other professional service	4,646,965	4,417,270
Physician services	2,552,973	2,180,800
General service	1,276,610	1,229,467
Fiscal and administrative service	1,990,416	1,788,295
Provision for depreciation	1,222,596	1,315,421
Amortization	<u>7,416</u>	<u>7,417</u>
Total expenses	<u>14,933,198</u>	<u>14,566,794</u>
Operating Loss	(664,063)	(1,123,142)
Non-Operating Revenues (Expenses):		
County taxes	1,649,902	1,599,882
Investment income	3,290	3,830
Noncapital grants and contributions	9,751	15,367
Gain on capital asset impairment (Note L)	186,316	--
Interest expense	<u>(97,008)</u>	<u>(119,875)</u>
Non-operating revenues, net	<u>1,752,251</u>	<u>1,499,204</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,088,188	376,062
Capital Grants and Contributions	<u>--</u>	<u>6,570</u>
Increase in Net Position	1,088,188	382,632
Net Position Beginning of Year	<u>6,057,552</u>	<u>5,674,920</u>
Net Position End of Year	<u>\$ 7,145,740</u>	<u>\$ 6,057,552</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 13,275,287	\$ 14,798,147
Cash paid to suppliers	(7,402,902)	(7,443,799)
Cash paid to employees	(6,490,299)	(6,190,269)
Other revenue	<u>202,209</u>	<u>192,479</u>
Net cash provided by (used in) operating activities	(415,705)	1,356,558
Cash flows from non-capital financing activities:		
County tax revenue	1,649,902	1,599,882
Noncapital grants and contributions	<u>10,197</u>	<u>16,616</u>
Net cash provided by non-capital financing activities	1,660,099	1,616,498
Cash flows from capital and related financing activities:		
Capital grants and contributions	--	6,570
Capital expenditures	(350,384)	(312,248)
Construction in progress expenditures	(46,034)	--
Proceeds from disposal of equipment	250,266	--
Principal paid on long-term debt	(480,000)	(480,000)
Principal paid on capital leases	(119,842)	(115,925)
Interest paid	<u>(97,073)</u>	<u>(119,939)</u>
Net cash used in capital and related financing activities	(843,067)	(1,021,542)
Cash flows from investing activities:		
Investment income	3,290	3,830
Change in designated and restricted assets	<u>473</u>	<u>(242)</u>
Net cash provided by investing activities	<u>3,763</u>	<u>3,588</u>
Net increase in cash and cash equivalents	405,090	1,955,102
Cash and cash equivalents at beginning of year	<u>3,398,300</u>	<u>1,443,198</u>
Cash and cash equivalents at end of year	<u>\$ 3,803,390</u>	<u>\$ 3,398,300</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 3,546,766	\$ 3,395,975
Cash and cash equivalents in designated and restricted assets	<u>256,624</u>	<u>2,325</u>
Total cash and cash equivalents	<u>\$ 3,803,390</u>	<u>\$ 3,398,300</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(664,063)	\$(1,123,142)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,222,596	1,315,421
Amortization	20,987	20,989
Change in assets and liabilities		
Accounts receivable	(448,639)	230,874
Inventory	(25,102)	(28,021)
Prepaid expense	(6,094)	19,448
Other current assets	(1,745)	1,814
Deferred outflows of resources	(278,022)	73,288
Accounts payable, trade	24,241	(108,845)
Accrued employee compensation	95,074	23,764
Payroll taxes withheld and accrued	13,501	4,976
Estimated third-party payor settlements	(343,000)	1,316,100
Net pension liability	617,996	(1,766,398)
Deferred pension cost	(643,435)	1,376,290
Total adjustments	<u>248,358</u>	<u>2,479,700</u>
Net cash provided by (used in) operating activities	<u>\$(415,705)</u>	<u>\$ 1,356,558</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital has elected not to discreetly present the financial statements of the Foundation. See Note I.

2. Basis of Presentation

The Statement of Net Position displays the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position in a balance sheet format. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Hospital's policy to use restricted net position first.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less including designated and restricted assets.

6. Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining an allowance for doubtful accounts and for contractual adjustments.

7. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

8. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

9. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Board of Trustees for capital acquisitions. The Board retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law or contractual agreements.

10. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and three to twenty years for equipment).

11. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital did not capitalize any interest cost in 2016 or 2015.

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

13. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. The succeeding year property tax receivable has been recorded as a current asset and the related property tax revenue has been recorded as a deferred inflow of resources. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

14. Compensated Absences

Hospital policies permit most employees to accumulate vacation, holiday, and sick time benefits that may be realized as paid time off. Expense and the related liability are recognized as benefits are earned. Compensation absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

17. Statement of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Property tax levied to finance the current year is included as non-operating revenues and peripheral or incidental transactions are reported as non-operating revenues and expenses.

18. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

19. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

20. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute services, inpatient nonacute services, and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries.

Medicaid - Through March of 2016 the Medicaid payment system was similar to Medicare. In April the State of Iowa Medicaid program switched to a managed care payment system, with payment rates based on previous year cost reports. The Hospital will continue to file cost reports to determine payment rates for future years.

The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2014. The Medicaid cost reports have been finalized through June 30, 2013. However, finalized cost reports are subject to re-opening by the intermediary within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS - Continued

A schedule of patient service revenue and related adjustments for the years ended June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Gross patient service revenue:		
Inpatient and swing bed services	\$ 4,834,610	\$ 5,069,707
Outpatient	9,954,353	9,557,996
Physician services	<u>2,639,050</u>	<u>2,300,041</u>
Total gross patient service revenue	17,428,013	16,927,744
Deductions from gross patient service revenue:		
Medicare	1,083,131	1,888,645
Medicaid	474,556	431,534
Provision for bad debts	271,063	274,042
Charity care	25,225	22,141
Other deductions	<u>1,507,112</u>	<u>1,060,209</u>
Total deductions from gross patient service revenue	<u>3,361,087</u>	<u>3,676,571</u>
Net patient service revenue	<u>\$ 14,066,926</u>	<u>\$ 13,251,173</u>

NOTE C - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Long-term debt	\$ 240,024	\$ 240,421
Purchase of property and equipment	<u>1,556</u>	<u>1,556</u>
	<u>\$ 241,580</u>	<u>\$ 241,977</u>

The Hospital has no restricted non-expendable assets or endowments at June 30, 2016 or 2015.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2016</u>	<u>2015</u>
Purchase of property and equipment	\$ --	\$ 6,570
Payment of long-term debt	<u>397</u>	<u>--</u>
	<u>\$ 397</u>	<u>\$ 6,570</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE D - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2016 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; common stocks; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	<u>2016</u>	<u>2015</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 255,068	\$ 769
GNMA pool	<u>--</u>	<u>76</u>
	<u>\$ 255,068</u>	<u>\$ 845</u>
Restricted Assets:		
Certificates of deposit	\$ 240,024	\$ 240,421
Cash and cash equivalents	<u>1,556</u>	<u>1,556</u>
	<u>\$ 241,580</u>	<u>\$ 241,977</u>

Investment income for designated and restricted assets, cash equivalents, and other investments is comprised of the following for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Interest income	<u>\$ 3,290</u>	<u>\$ 3,830</u>

Interest Rate Risk - The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE E - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Receivable from:		
Patients	\$ 603,644	\$ 438,454
Medicare	792,741	616,464
Medicaid	114,060	115,224
Wellmark	407,761	239,329
Other commercial insurance carriers	442,579	398,698
	<u>2,360,785</u>	<u>1,808,169</u>
Less allowances for doubtful accounts and contractual adjustments	<u>637,000</u>	<u>526,000</u>
	<u>\$ 1,723,785</u>	<u>\$ 1,282,169</u>

NOTE F - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2016 and 2015 were as follows:

Cost	<u>Balance 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2016</u>
Land Improvements	\$ 1,128,005	\$ --	\$ --	\$ 1,128,005
Buildings	11,836,924	33,626	63,950	11,806,600
Fixed Equipment	2,095,361	35,330	--	2,130,691
Major Movable Equipment	<u>6,141,279</u>	<u>510,863</u>	<u>123,033</u>	<u>6,529,109</u>
	21,201,569	579,819	186,983	21,594,405
<u>Depreciation</u>				
Land Improvements	597,906	56,255	--	654,161
Buildings	5,107,339	392,480	--	5,499,819
Fixed Equipment	1,482,645	100,691	--	1,583,336
Major Movable Equipment	<u>4,333,954</u>	<u>673,170</u>	<u>123,033</u>	<u>4,884,091</u>
Total Depreciation	<u>11,521,844</u>	<u>1,222,596</u>	<u>123,033</u>	<u>12,621,407</u>
Total Depreciable Capital Assets, Net	<u>\$ 9,679,725</u>	<u>\$ (642,777)</u>	<u>\$ 63,950</u>	<u>\$ 8,972,998</u>
Construction in Progress	\$ 138,276	\$ 98,279	\$ 111,446	\$ 125,109
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 251,267</u>	<u>\$ 98,279</u>	<u>\$ 111,446</u>	<u>\$ 238,100</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE F - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2015</u>
Land Improvements	\$ 1,130,594	\$ 6,900	\$ 9,489	\$ 1,128,005
Buildings	11,839,096	--	2,172	11,836,924
Fixed Equipment	2,085,301	10,060	--	2,095,361
Major Movable Equipment	<u>6,143,955</u>	<u>291,913</u>	<u>294,589</u>	<u>6,141,279</u>
	21,198,946	308,873	306,250	21,201,569
<u>Depreciation</u>				
Land Improvements	551,096	56,299	9,489	597,906
Buildings	4,715,435	394,076	2,172	5,107,339
Fixed Equipment	1,376,429	106,216	--	1,482,645
Major Movable Equipment	<u>3,869,713</u>	<u>758,830</u>	<u>294,589</u>	<u>4,333,954</u>
Total Depreciation	<u>10,512,673</u>	<u>1,315,421</u>	<u>306,250</u>	<u>11,521,844</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,686,273</u>	<u>\$ (1,006,548)</u>	<u>\$ --</u>	<u>\$ 9,679,725</u>
Construction in Progress	\$ 138,276	\$ --	\$ --	\$ 138,276
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 251,267</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 251,267</u>

NOTE G - LONG-TERM LIABILITIES

A schedule of changes in the Hospital's long-term liabilities for the years ended June 30, 2016 and 2015 follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2016</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$ 920,000	\$ --	\$ 160,000	\$ 760,000	\$ 160,000
Series 2009 Revenue Bonds	1,600,000	--	320,000	1,280,000	320,000
Capital Lease Obligation	150,430	--	119,842	30,588	30,588
Net Pension Liability	<u>3,608,795</u>	<u>617,996</u>	<u>--</u>	<u>4,226,791</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$6,279,225</u>	<u>\$ 617,996</u>	<u>\$ 599,842</u>	<u>\$6,297,379</u>	<u>\$ 510,588</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE G - LONG-TERM LIABILITIES - Continued

	<u>Balance</u> <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2015</u>	<u>Current</u> <u>Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$1,080,000	\$ --	\$ 160,000	\$ 920,000	\$ 160,000
Series 2009 Revenue Bonds	1,920,000	--	320,000	1,600,000	320,000
Capital Lease Obligation	266,355	--	115,925	150,430	119,842
Net Pension Liability	<u>--</u>	<u>3,608,795</u>	<u>--</u>	<u>3,608,795</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$3,266,355</u>	<u>\$3,608,795</u>	<u>\$ 595,925</u>	<u>\$6,279,225</u>	<u>\$ 599,842</u>

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2018. On September 30, 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on that date, provided however, that the adjusted interest rate shall not be 2% higher or lower than the immediately preceding adjusted interest rate and the adjusted interest rate shall not exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2018. On September 30, 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on that date, provided however, that the adjusted interest rate shall not be 2% higher or lower than the immediately preceding adjusted interest rate and the adjusted interest rate shall not exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan, bonds, and capital lease obligation is expected to require less than 35% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$697,000 and \$2,126,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE G - LONG-TERM LIABILITIES - Continued

Under the terms of the bond resolution, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

Assets recorded under capital leases, which carry an interest rate of 3.33%, consist of major movable equipment items with totals as follows:

	2016	2015
Cost	\$ 578,305	\$ 578,305
Less: Accumulated Amortization	<u>549,390</u>	<u>433,729</u>
Net Book Value	<u>\$ 28,915</u>	<u>\$ 144,576</u>

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
2017	\$ 480,000	\$ 74,422	\$ 30,588	\$ 170	\$ 585,180
2018	480,000	55,222	--	--	535,222
2019	480,000	36,022	--	--	516,022
2020	480,000	16,822	--	--	496,822
2021	<u>120,000</u>	<u>2,400</u>	<u>--</u>	<u>--</u>	<u>122,400</u>
	<u>\$ 2,040,000</u>	<u>\$ 184,888</u>	<u>\$ 30,588</u>	<u>\$ 170</u>	<u>\$ 2,255,646</u>

The pension liability, as further described in Note H, represents an actuarial estimate of the Hospital's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

NOTE H - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Hospital, except for those covered by another retirement system. Employees of the Hospital are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE H - PENSION PLAN - Continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE H - PENSION PLAN - Continued

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Hospital contributed 8.93% of covered payroll for a total rate of 14.88%.

The Hospital's contributions to IPERS for the year ended June 30, 2016 were \$556,223.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Hospital reported a liability of \$4,226,791 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Hospital's proportion was 0.0855542%, which was a decrease of 0.0054413% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Hospital recognized pension expense of \$256,315. At June 30, 2016, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 63,861	\$ --
Changes of assumptions	116,374	--
Net difference between projected and actual earnings on pension plan investments	--	351,780
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	--	381,075
Hospital contributions subsequent to the measurement date	<u>556,223</u>	<u>--</u>
	<u>\$ 736,458</u>	<u>\$ 732,855</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE H - PENSION PLAN - Continued

The \$556,223, reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$(221,180)
2018	(221,180)
2019	(221,180)
2020	119,630
2021	<u>(8,710)</u>
	<u>\$(552,620)</u>

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increases (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE H - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability	<u>\$ 7,400,351</u>	<u>\$ 4,226,791</u>	<u>\$ 1,548,079</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE H - PENSION PLAN - Continued

IPERS Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2016, the Hospital reported payables to IPERS of \$27,323 for legally required employer contributions and \$ - 0 - for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE I - AFFILIATED ORGANIZATION

Unity Point Health (Unity Point)

The Hospital has an operating agreement with Unity Point. Under the agreement, the Hospital's Chief Executive Officer is an employee of Unity Point and the Hospital reimburses Unity Point for the cost of the Chief Executive Officer's salary and benefits. The Hospital also pays a monthly fee to Unity Point for management services. Under the terms of the agreement, Unity Point provides management oversight services and consults and works with the Hospital's board in formulating management strategies and recommendations regarding operations. Below is a list of transactions between the Hospital and this affiliate for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fees to Unity Point for personnel and services	\$ <u>248,816</u>	\$ <u>218,750</u>

Guthrie County Hospital Foundation (the Foundation)

As indicated in Note A1, the Foundation has been identified as a component unit of the Hospital. A summary of the Foundation's assets, liabilities and net position as of June 30, 2016 and 2015 follows:

	<u>(Unaudited)</u>	
	<u>2016</u>	<u>2015</u>
Assets	\$ <u>237,034</u>	\$ <u>220,626</u>
Net Position	\$ <u>237,034</u>	\$ <u>220,626</u>

The Hospital received \$ - 0 - and \$6,570 from the Foundation during the years ended June 30, 2016 and 2015, respectively, for the purchase of property and equipment. The Hospital received \$4,419 and \$10,596 from the Foundation during the years ended June 30, 2016 and 2015, respectively, for operating assistance. As of June 30, 2016, the Foundation has no material pledges receivable related to Hospital projects.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE J - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 88 active employees and 1 retiree currently covered by the health insurance plan.

Funding Policy: The Hospital does not set aside funds to pay for any OPEB liability. Any Hospital costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial.

NOTE K - COMMITMENTS AND CONTINGENCIES

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional now practicing in the community. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

Construction in Progress

The \$125,109 in construction in progress at June 30, 2016 is related to various small projects for which no material commitments exist as of the date of this report.

As of June 30, 2016, the Hospital has entered into an agreement for a remodeling project. The total estimated cost of the project is \$700,000. At June 30, 2016, no costs were yet incurred on the project. Funding for the project will be provided by funds generated internally.

Subsequent Events

The Hospital has evaluated all subsequent events through October 24, 2016, the date the financial statements were available to be issued.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2016 and 2015

NOTE L - GAIN FROM IMPAIRMENT OF ASSET

During the year ended June 30, 2016, the Hospital building roof and facade sustained damage from a hail storm. The amount of the impairment based on anticipated costs to restore the utility of the asset is estimated by management to be \$63,950. Insurance proceeds in the amount of \$250,266 were received for the damage. The insurance proceeds and estimated repair costs have been netted on the Statements of Revenues, Expenses and Changes in Net Position, resulting in a reported gain of \$186,316.

NOTE M - DEFICIT UNRESTRICTED NET POSITION

The Hospital had a deficit unrestricted net position at June 30, 2016, entirely due to the net pension liability and related deferrals of resources. Total net position remained positive.

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REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2016

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, amortization, and net position differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,649,902	\$ --	\$ 1,649,902
Other revenues	14,371,484	--	14,371,484
Transfers in (out)	<u>397</u>	<u>(397)</u>	<u>--</u>
	16,021,783	(397)	16,021,386
Expenses	<u>14,933,198</u>	<u>--</u>	<u>14,933,198</u>
Net	1,088,585	(397)	1,088,188
Balance beginning of year	<u>5,815,575</u>	<u>241,977</u>	<u>6,057,552</u>
Balance end of year	<u>\$ 6,904,160</u>	<u>\$ 241,580</u>	<u>\$ 7,145,740</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,649,902	\$ --	\$ 1,649,902	\$ 1,571,584
Other revenues	<u>14,371,484</u>	<u>97,008</u>	<u>14,468,492</u>	<u>14,345,016</u>
	16,021,386	97,008	16,118,394	15,916,600
Expenses	<u>14,933,198</u>	<u>89,592</u>	<u>15,022,790</u>	<u>16,218,000</u>
Net	1,088,188	7,416	1,095,604	(301,400)
Balance beginning of year	<u>6,057,552</u>	<u>3,818,713</u>	<u>9,876,265</u>	<u>9,876,265</u>
Balance end of year	<u>\$ 7,145,740</u>	<u>\$ 3,826,129</u>	<u>\$ 10,971,869</u>	<u>\$ 9,574,865</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of the Hospital's Proportionate Share of the Net IPERS Pension Liability
June 30,

	<u>2016</u>	<u>2015</u>
Hospital's proportion of the net pension liability	0.0855542%	0.0909955%
Hospital's proportionate share of the net pension liability	\$ 4,227,000	\$ 3,609,000
Hospital's covered-employee payroll	\$ 5,868,000	5,977,000
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.03%	60.38%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

Note - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information is available. The amounts presented are from the previous IPERS June 30 fiscal year. Amounts reported are rounded.

See accompanying independent auditor's report.

GUTHRIE COUNTY HOSPITAL
Schedule of Hospital IPERS Pension Contributions
Year Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 556,000	\$ 525,000	\$ 531,700	\$ 532,300
Contributions in relation to the statutorily required contribution	<u>(556,000)</u>	<u>(525,000)</u>	<u>(531,700)</u>	<u>(532,300)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Hospital's covered-employee payroll	\$ 6,229,000	\$ 5,868,000	\$ 5,977,000	\$ 6,140,000
Contributions as a percentage of covered-employee payroll	8.93%	8.95%	8.90%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 466,700	\$ 399,700	\$ 363,000	\$ 308,500	\$ 268,300	\$ 248,200
(466,700)	(399,700)	(363,000)	(308,500)	(268,300)	(248,200)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 5,783,000	\$ 5,751,000	\$ 5,459,000	\$ 4,858,000	\$ 4,436,000	\$ 4,316,000
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

GUTHRIE COUNTY HOSPITAL
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

* * *

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,359,728	58%	\$ 1,207,689	67%
31 - 60	424,145	18	257,302	14
61 - 90	116,148	5	96,451	5
91 - 120	125,566	5	49,789	3
121 and over	<u>335,198</u>	<u>14</u>	<u>196,938</u>	<u>11</u>
	2,360,785	100%	1,808,169	100%
Allowance for doubtful accounts	323,000		250,000	
Allowance for contractual adjustments	<u>314,000</u>		<u>276,000</u>	
	<u>\$ 1,723,785</u>		<u>\$ 1,282,169</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Balance, beginning	\$ 250,000	\$ 189,200
Provision for bad debts	271,063	274,042
Recoveries of accounts previously written off	<u>212,866</u>	<u>259,043</u>
	733,929	722,285
Accounts written off	<u>410,929</u>	<u>472,285</u>
Balance, ending	<u>\$ 323,000</u>	<u>\$ 250,000</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	<u>2016</u>	<u>2015</u>
<u>Inventory</u>		
Medical and surgical supplies	\$ 205,862	\$ 160,998
Laboratory	33,677	29,929
Pharmacy	128,795	152,305
Other	<u>19,219</u>	<u>19,219</u>
	<u>\$ 387,553</u>	<u>\$ 362,451</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 26,344	\$ 33,737
Service contracts and dues	<u>216,760</u>	<u>203,273</u>
	<u>\$ 243,104</u>	<u>\$ 237,010</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	2016	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical, surgical and obstetric	\$ 1,182,867	\$ --
Swing bed	--	--
	<u>1,182,867</u>	<u>--</u>
Other Nursing Services:		
Cardiac rehabilitation	--	193,325
Operating and recovery rooms	880,771	1,020,106
Emergency room	26,843	1,123,569
Central services and supply	54,469	88,537
Intravenous therapy	84,469	88,553
Observation	44,988	179,706
	<u>1,091,540</u>	<u>2,693,796</u>
Other Professional Services:		
Emergency room professional	7,046	337,508
Laboratory	316,733	2,059,007
Blood	23,925	29,762
Electrocardiology	4,795	45,720
Radiology	36,085	552,047
CT scan	103,551	1,047,693
Ultrasound	16,722	281,770
Mammography	--	250,488
Nuclear imaging	--	24,258
MRI	31,121	598,610
Pharmacy	534,053	619,298
Anesthesia	54,915	129,820
Respiratory therapy	221,628	275,351
Speech therapy	9,551	77,746
Physical therapy	88,195	881,165
Occupational therapy	12,398	35,401
Outpatient clinics	--	660
Diabetic education	--	14,253
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	<u>1,460,718</u>	<u>7,260,557</u>
	<u>\$ 3,735,125</u>	<u>\$ 9,954,353</u>

See Independent Auditor's Report.

<u>Swing Bed</u>	<u>2016</u>		<u>2015</u>	
	<u>Physician Services</u>	<u>Total</u>	<u>Total</u>	
\$ --	\$ --	\$ 1,182,867	\$ 1,201,632	
324,186	--	324,186	291,877	
<u>324,186</u>	<u>--</u>	<u>1,507,053</u>	<u>1,493,509</u>	
--	--	193,325	175,265	
1,606	--	1,902,483	2,272,081	
--	--	1,150,412	819,101	
24,439	--	167,445	137,480	
12,615	--	185,637	188,059	
--	--	224,694	276,783	
<u>38,660</u>	<u>--</u>	<u>3,823,996</u>	<u>3,868,769</u>	
--	--	344,554	396,815	
99,547	69,497	2,544,784	2,507,324	
9,378	--	63,065	67,979	
600	12,211	63,326	79,677	
12,922	3,146	604,200	544,641	
9,959	2,509	1,163,712	1,084,054	
10,089	1,397	309,978	334,035	
--	--	250,488	263,278	
--	--	24,258	31,057	
11,007	--	640,738	627,472	
247,422	1,380	1,402,153	1,375,206	
1,425	--	186,160	199,270	
153,563	142	650,684	626,161	
26,567	--	113,864	10,527	
114,145	--	1,083,505	1,112,498	
25,591	--	73,390	--	
--	--	660	750	
--	--	14,253	13,148	
14,424	--	14,424	6,268	
--	2,080,999	2,080,999	1,813,463	
--	467,769	467,769	471,843	
<u>736,639</u>	<u>2,639,050</u>	<u>12,096,964</u>	<u>11,565,466</u>	
<u>\$ 1,099,485</u>	<u>\$ 2,639,050</u>	<u>\$ 17,428,013</u>	<u>\$ 16,927,744</u>	

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2016</u>	<u>2015</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 17,428,013	\$ 16,927,744
Contractual adjustments	(3,064,799)	(3,380,388)
Provision for bad debts	(271,063)	(274,042)
Charity care	(25,225)	(22,141)
	<u>\$ 14,066,926</u>	<u>\$ 13,251,173</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 18,627	\$ 20,853
Congregate meals	47,792	42,991
Ancillary service coverage revenue	32,989	26,064
Outpatient clinic rental	33,673	32,478
Fitness center	53,467	51,143
Purchase discounts	3,528	10,528
Wellness revenue	1,839	551
Pharmacy student income	2,000	--
Miscellaneous income	8,294	7,871
	<u>\$ 202,209</u>	<u>\$ 192,479</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Administrative:		
Salaries and wages	\$ 66,924	\$ 105,450
Employee benefits	25,496	25,050
Supplies and other expense	<u>5,699</u>	<u>2,438</u>
	98,119	132,938
Medical, Surgical and Obstetric:		
Salaries and wages	956,677	910,602
Employee benefits	341,116	357,554
Supplies and other expense	<u>183,664</u>	<u>116,432</u>
	1,481,457	1,384,588
Cardiac Rehabilitation:		
Salaries and wages	65,498	59,158
Employee benefits	10,939	10,512
Supplies and other expense	<u>5,550</u>	<u>3,571</u>
	81,987	73,241
Operating and Recovery Rooms:		
Salaries and wages	205,931	192,397
Employee benefits	66,059	57,536
Purchased services	2,868	99,448
Professional fees	40,900	38,628
Supplies and other expense	<u>667,421</u>	<u>1,064,356</u>
	983,179	1,452,365
Emergency Room:		
Salaries and wages	253,941	242,095
Employee benefits	74,645	69,656
Supplies and other expense	<u>102,572</u>	<u>121,299</u>
	431,158	433,050

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Central Services and Supply:		
Salaries and wages	\$ 82,482	\$ 81,785
Employee benefits	51,414	50,438
Supplies and other expense	<u>21,876</u>	<u>18,635</u>
	155,772	150,858
Intravenous Therapy:		
Supplies and other expense	<u>4,550</u>	<u>1,084</u>
	<u>\$ 3,236,222</u>	<u>\$ 3,628,124</u>

SUMMARY

Salaries and wages	\$ 1,631,453	\$ 1,591,487
Employee benefits	569,669	570,746
Professional fees	40,900	38,628
Supplies and other expense	<u>994,200</u>	<u>1,427,263</u>
	<u>\$ 3,236,222</u>	<u>\$ 3,628,124</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Emergency Room Professional:		
Salaries and wages	\$ 655,006	\$ 672,652
Employee benefits	135,796	118,892
Professional fees	73,606	96,362
Supplies and other expense	<u>2,950</u>	<u>11,281</u>
	867,358	899,187
Laboratory:		
Salaries and wages	236,457	237,529
Employee benefits	64,427	71,889
Professional fees	1,181	1,531
Supplies and other expense	<u>347,890</u>	<u>350,301</u>
	649,955	661,250
Blood:		
Blood	27,124	46,197
Electrocardiology:		
Salaries and wages	15,216	21,573
Employee benefits	4,514	10,942
Supplies and other expense	<u>210</u>	<u>176</u>
	19,940	32,691
Radiology:		
Salaries and wages	213,769	207,108
Employee benefits	74,539	76,835
Supplies and other expense	<u>113,009</u>	<u>98,801</u>
	401,317	382,744
CT Scan:		
Salaries and wages	19,139	20,104
Employee benefits	6,314	6,617
Supplies and other expense	<u>110,678</u>	<u>110,707</u>
	136,131	137,428
Ultrasound:		
Salaries and wages	7,146	8,553
Employee benefits	2,828	3,653
Supplies and other expense	<u>71,327</u>	<u>75,565</u>
	81,301	87,771

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Mammography:		
Salaries and wages	\$ 7,065	\$ 7,380
Employee benefits	2,476	2,932
Supplies and other expense	88,230	52,933
	<u>97,771</u>	<u>63,245</u>
Nuclear Imaging:		
Supplies and other expense	14,975	19,208
MRI:		
Supplies and other expense	99,372	88,755
Pharmacy:		
Salaries and wages	316,612	331,590
Employee benefits	89,856	90,511
Professional fees	9,528	23,695
Drugs	282,454	280,255
Supplies and other expense	42,058	40,284
	<u>740,508</u>	<u>766,335</u>
Anesthesia:		
Professional fees	164,970	166,170
Supplies and other expense	357	942
	<u>165,327</u>	<u>167,112</u>
Respiratory Therapy:		
Salaries and wages	92,113	89,314
Employee benefits	32,165	17,915
Oxygen, supplies and other expense	80,155	75,472
	<u>204,433</u>	<u>182,701</u>
Speech Therapy:		
Salaries and wages	58,469	2,931
Employee benefits	16,335	396
Professional fees	--	8,376
Supplies and other expense	567	1,555
	<u>75,371</u>	<u>13,258</u>
Physical Therapy:		
Salaries and wages	318,924	314,735
Employee benefits	106,052	105,008
Supplies and other expense	18,474	14,992
	<u>443,450</u>	<u>434,735</u>

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GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Occupational Therapy:		
Salaries and wages	\$ 33,601	\$ --
Employee benefits	9,463	--
Supplies and other expense	<u>2,890</u>	<u>--</u>
	45,954	--
Medical Records:		
Salaries and wages	150,306	146,194
Employee benefits	68,755	67,922
Supplies and other expense	<u>23,614</u>	<u>22,600</u>
	242,675	236,716
Social Services:		
Salaries and wages	34,768	29,815
Employee benefits	13,435	12,070
Supplies and other expense	<u>1,172</u>	<u>67</u>
	49,375	41,952
Outpatient Clinics:		
Salaries and wages	66,379	41,209
Employee benefits	30,009	16,510
Professional fees	86,344	2,607
Supplies and other expense	<u>11,045</u>	<u>5,112</u>
	193,777	65,438
Fitness Center:		
Salaries and wages	44,357	43,579
Employee benefits	12,936	21,508
Supplies and other expense	<u>15,251</u>	<u>9,030</u>
	72,544	74,117
Diabetic Education:		
Salaries and wages	15,254	12,153
Employee benefits	2,533	2,046
Supplies and other expense	<u>520</u>	<u>2,231</u>
	<u>18,307</u>	<u>16,430</u>
	<u>\$ 4,646,965</u>	<u>\$ 4,417,270</u>

SUMMARY

Salaries and wages	\$ 2,284,581	\$ 2,186,419
Employee benefits	672,433	625,646
Professional fees	335,629	298,741
Supplies and other expense	<u>1,354,322</u>	<u>1,306,464</u>
	<u>\$ 4,646,965</u>	<u>\$ 4,417,270</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Physician Service:		
Salaries and wages	\$ 1,101,444	\$ 836,469
Employee benefits	232,236	200,727
Supplies and other expense	<u>135,007</u>	<u>111,996</u>
	1,468,687	1,149,192
Nursing Service:		
Salaries and wages	188,752	198,995
Employee benefits	48,491	47,359
Medical supplies	58,410	39,828
Supplies and other expense	<u>42,367</u>	<u>37,215</u>
	338,020	323,397
Business Office:		
Salaries and wages	160,504	140,424
Employee benefits	79,879	67,263
Supplies and other expense	<u>78,193</u>	<u>84,959</u>
	318,576	292,646
Occupancy Costs:		
Rent	3,823	3,083
Utilities	<u>27,326</u>	<u>30,880</u>
	31,149	33,963
Surgery Services:		
Salaries and wages	29,832	39,744
Employee benefits	13,946	15,214
Professional fees	317,664	292,831
Supplies and other expense	<u>35,099</u>	<u>33,813</u>
	396,541	381,602
	<u>\$ 2,552,973</u>	<u>\$ 2,180,800</u>

SUMMARY

Salaries and wages	\$ 1,480,532	\$ 1,215,632
Employee benefits	374,552	330,563
Professional fees	317,664	292,831
Supplies and other expense	<u>380,225</u>	<u>341,774</u>
	<u>\$ 2,552,973</u>	<u>\$ 2,180,800</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Dietary:		
Salaries and wages	\$ 198,983	\$ 179,903
Employee benefits	117,921	123,808
Food	119,925	114,810
Supplies and other expense	<u>23,529</u>	<u>28,571</u>
	460,358	447,092
Operation of Plant:		
Salaries and wages	170,199	171,296
Employee benefits	52,646	52,719
Electricity	156,032	144,225
Natural gas	65,533	66,747
Supplies and other expense	<u>134,409</u>	<u>116,497</u>
	578,819	551,484
Housekeeping:		
Salaries and wages	133,428	128,491
Employee benefits	72,697	71,029
Supplies and other expense	<u>13,680</u>	<u>14,176</u>
	219,805	213,696
Laundry and Linen:		
Purchased services	16,854	17,020
Supplies and other expense	<u>774</u>	<u>175</u>
	17,628	17,195
	<u>\$ 1,276,610</u>	<u>\$ 1,229,467</u>
 <u>SUMMARY</u> 		
Salaries and wages	\$ 502,610	\$ 479,690
Employee benefits	243,264	247,556
Supplies and other expense	<u>530,736</u>	<u>502,221</u>
	<u>\$ 1,276,610</u>	<u>\$ 1,229,467</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Fiscal and Administrative:		
Salaries and wages	\$ 333,935	\$ 402,455
Employee benefits	(168,243)	(164,015)
Advertising	26,776	35,188
Telephone	27,527	27,642
Supplies and minor equipment	23,572	21,162
Collection expense	53,775	62,695
Computer maintenance	182,269	121,221
Education and meetings	21,931	16,251
Professional fees	473,466	352,277
Printing and postage	7,747	8,515
Purchased services	57,777	46,181
Dues and subscriptions	16,631	19,016
	<u>1,057,163</u>	<u>948,588</u>
Admissions Office:		
Salaries and wages	66,482	70,866
Employee benefits	38,496	39,226
Supplies and other expense	5,291	5,012
	<u>110,269</u>	<u>115,104</u>
Information Systems:		
Salaries and wages	161,873	157,283
Employee benefits	61,377	61,437
Supplies and other expense	90,910	54,320
	<u>314,160</u>	<u>273,040</u>
Employee Welfare:		
Salaries and wages	123,907	110,201
Employee benefits	34,379	32,249
Group health and life benefit	103,113	85,314
Workers' compensation insurance	59,432	68,869
Unemployment expense	--	8,035
Supplies and other expense	62,251	43,901
	<u>383,082</u>	<u>348,569</u>
Insurance:		
Liability and property insurance	125,742	102,994
	<u>\$ 1,990,416</u>	<u>\$ 1,788,295</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2016</u>	<u>2015</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 686,197	\$ 740,805
Employee benefits	128,554	131,115
Professional fees	473,466	352,277
Supplies and other expense	<u>702,199</u>	<u>564,098</u>
	<u>\$ 1,990,416</u>	<u>\$ 1,788,295</u>

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 6,585,373	\$ 6,214,033
Employee benefits	1,988,472	1,905,626
Professional fees	1,167,659	982,477
Supplies and other expense	<u>3,961,682</u>	<u>4,141,820</u>
	<u>\$ 13,703,186</u>	<u>\$ 13,243,956</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Acute Care:					
Admissions	358	327	283	336	307
Discharges	359	329	278	330	307
Patient days	1,097	1,086	862	1,092	1,015
Average length of stay	3.06	3.30	3.10	3.31	3.31
Average occupied beds	3.0	3.0	2.4	3.0	2.8
Swing Bed Program:					
Admissions	126	125	130	152	140
Discharges	129	123	132	150	141
Patient days	921	818	799	901	966
Combined Average Occupied Beds	5.5	5.2	4.6	5.5	5.4
Outpatient Occasions of Service	34,177	35,795	35,524	37,334	35,075

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Net Position
June 30,

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 3,546,766	\$ 3,395,975
Patient receivables, net	1,723,785	1,282,169
Other receivables	22,264	15,687
Inventory	387,553	362,451
Prepaid expense	243,104	237,010
Other current assets	20,304	18,559
Estimated third-party payor settlements	--	--
Succeeding year property tax receivable	1,595,000	1,572,000
Internally designated assets	496,648	242,822
Total current assets	<u>8,035,424</u>	<u>7,126,673</u>
Other Assets:		
Capital assets, net	9,211,098	9,930,992
Notes receivable	27,143	40,714
Other	31,737	39,153
Total other assets	<u>9,269,978</u>	<u>10,010,859</u>
Deferred Outflows of Resources	<u>736,458</u>	<u>458,436</u>
Total assets and deferred outflows of resources	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 510,588	\$ 599,842
Accounts payable	535,276	340,801
Accrued expenses	776,593	668,018
Accrued interest	17	82
Estimated third-party payor settlements	959,000	1,302,000
Total current liabilities	<u>2,781,474</u>	<u>2,910,743</u>
Long-Term Liabilities:		
Long-term debt, net	1,560,000	2,070,588
Net pension liability	4,226,791	3,608,795
Total liabilities	<u>8,568,265</u>	<u>8,590,126</u>
Deferred Inflows of Resources	2,327,855	2,948,290
Net Position	<u>7,145,740</u>	<u>6,057,552</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>

See Independent Auditor's Report.

Not Restated		
2014	2013	2012
\$ 1,441,006	\$ 536,512	\$ 1,939,153
1,509,792	1,979,001	1,308,606
20,187	181,715	22,326
334,430	304,675	310,851
256,458	231,934	212,268
20,373	20,541	22,008
14,100	128,900	480,500
1,538,000	1,539,000	1,529,000
242,447	244,241	241,842
5,376,793	5,166,519	6,066,554
10,937,540	11,668,217	10,825,265
54,286	67,857	81,428
46,570	53,987	61,404
11,038,396	11,790,061	10,968,097
--	--	--
\$ 16,415,189	\$ 16,956,580	\$ 17,034,651
\$ 595,924	\$ 599,636	\$ 618,470
453,021	655,554	362,405
639,278	621,962	565,688
146	207	270
--	--	--
1,688,369	1,877,359	1,546,833
2,670,431	3,266,354	3,865,991
--	--	--
4,358,800	5,143,713	5,412,824
1,538,000	1,539,000	1,529,000
10,518,389	10,273,867	10,092,827
\$ 16,415,189	\$ 16,956,580	\$ 17,034,651

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2016</u>	<u>2015</u>
Patient Service Revenue	\$ 17,428,013	\$ 16,927,744
Adjustments to Patient Service Revenue	<u>(3,361,087)</u>	<u>(3,676,571)</u>
Net Patient Service Revenue	14,066,926	13,251,173
Other Revenue	<u>202,209</u>	<u>192,479</u>
Total Revenue	14,269,135	13,443,652
Expenses	<u>14,933,198</u>	<u>14,566,794</u>
Operating Loss	(664,063)	(1,123,142)
Non-Operating Revenues, Net	<u>1,752,251</u>	<u>1,499,204</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	1,088,188	376,062
Capital Grants and Contributions	<u>--</u>	<u>6,570</u>
Increase in Net Position	<u>\$ 1,088,188</u>	<u>\$ 382,632</u>

See Independent Auditor's Report.

Not Restated		
2014	2013	2012
\$ 15,753,472	\$ 15,841,890	\$ 15,076,192
(3,034,782)	(3,084,247)	(2,592,212)
12,718,690	12,757,643	12,483,980
219,760	188,059	189,792
12,938,450	12,945,702	12,673,772
14,687,243	14,763,174	13,776,651
(1,748,793)	(1,817,472)	(1,102,879)
1,469,474	1,449,571	1,349,838
(279,319)	(367,901)	246,959
523,841	548,941	5,543
\$ 244,522	\$ 181,040	\$ 252,502

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guthrie County Hospital, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Guthrie County Hospital's basic financial statements and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Guthrie County Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Guthrie County Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guthrie County Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 16-I-A.

To the Board of Trustees
Guthrie County Hospital

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Guthrie County Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

Guthrie County Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Guthrie County Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deonwood, Bell, Thyer - Co. P.C.

Atlantic, Iowa
October 24, 2016

GUTHRIE COUNTY HOSPITAL
Schedule of Findings and Responses
Year ended June 30, 2016

PART I - SIGNIFICANT DEFICIENCIES

16-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

16-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2016 did not exceed the amount budgeted.

16-II-B Questionable Expenditures: During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Board members.

16-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

16-II-D Business Transactions: No business transactions between the Hospital and Hospital officials or employees were noted.

16-II-E Board Minutes: No transactions requiring Board approval were noted which had not been approved.

16-II-F Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.

GUTHRIE COUNTY HOSPITAL

Schedule of Findings and Responses - Continued

Year ended June 30, 2016

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING -
Continued

16-II-G Financial Condition: The Hospital has a deficit in unrestricted net position of \$62,091 at June 30, 2016 as a result of recording its share of the IPERS net unfunded pension liability.

Recommendation: The Hospital management should remain aware of this deficit, and its cause, and comply with IPERS plan to reduce the deficit over a period of years.

Response: The deficit was the result of recognizing the Hospital's proportionate share of IPERS' net pension liability. The Hospital realizes this liability is not due and payable immediately. Rather the pension liability will be paid down over a period of time with the Hospital's future employer share of IPERS contributions.

Conclusion: Response accepted.

* * *